

## **Social Policies in the Cardoso Administration\***

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### **Brazil's Social Debt**

The expression "social debt" is often used to describe the vast array of problems of social inequality, poverty, health, social security, education, urban violence and environment degradation that exist in Brazil today, implying that they were, with inflation and the foreign debt, unwanted consequences of a perverse model of economic development that excluded large sectors of the population from its benefits. The Cardoso Administration, beginning in practice with the Plano Real in 1994, found the country's economy in shambles, the public administration in disarray, a Constitution that tied up the government's hands and granted entitlements to everybody without caring about means, and a very complex and fragmented political system formed by dozens of political parties, 27 states and about five thousand municipalities, all entitled to significant parts of the country's tax revenues and autonomous in their actions. Since then, inflation was contained, foreign debt came under control, and the economy started to move slowly ahead. Because of the high visibility of macroeconomic issues, and, more recently, of the battle in Congress to grant the government the right to compete for reelection in 1999, the Cardoso Administration is often charged of not really caring about the "social debt," of not having a well defined and explicit policy for the social sector. In the following, I will examine the nature of this social debt in some detail, present a summary of what the government social policies have been, and what we can expect for the future.

Social inequality is not a product of recent times, but a structural feature of Brazilian society, organized since colonial times as a centralized administration ruling over a slave-based agriculture and the predatory extraction and commercialization of natural products. Industrialization in this century developed around the administrative cities and regions of recent European migration, mostly in Rio de Janeiro and later São Paulo, leaving aside the population of the old agricultural and mining regions in Minas Gerais, Bahia and the Northeast. For about thirty years after the Second World War, the Brazilian economy experienced a long period of

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uninterrupted growth. Social mobility was intense, with millions flocking from the rural and impoverished areas to the sprawling urban centers, where large industrial and services sectors were created. Modernization occurred also in rural area, mostly through capital intensive technologies, which contributed to move people to the cities.

This growth was accompanied by most of the trappings of modern, Western societies, including expanding systems of social security, public education and public health, supported by labor legislation granting job benefits and security for urban workers. In a few decades, Brazil changed from a rural to a predominantly urban society, TV networks spread the values and behavior of urban life to the whole country, women entered in earnest in the job market, and the patterns of nuptiality and child bearing approached those of Western Europe. Population growth rates went from 2.99% between 1950 and 1960 to 1.93% between 1980 and 1991, and are still going down. Life expectancy at birth went from 61.76 years in 1980 to 65.90 in 1991, while the rate of infant mortality went from 69.14 per thousand to 48.6 in the same period.

Economic growth halted in the 1980's and migration to the large metropolitan areas subsided, but suburban areas and middle-size towns continued to grow, while the basic indicators of welfare, like infant mortality, literacy and access to basic services such as electricity and treated water, continued to improve. Most of the improvements in health, literacy and living conditions were due to very basic investments in water treatment, inoculation campaigns and the expansion of the number of elementary schools. From now on, the costs of social services and benefits will get higher. The labor market will require better skills and quality education, the ageing population will demand sophisticated medical attention, and the costs of urban management, environment protection and recovery will mount.

The intense processes of economic growth and social modernization disrupted traditional life patterns in the impoverished countryside, without providing enough jobs, education and social protection to millions who tried or were forced to integrate Brazil's modern side. In consequence, Brazil has today one of the world's worst levels of income inequality. As the metropolitan areas swelled, urban marginality increased dramatically, with all its sequels of job instability, illegal economy, disorganized family patterns and criminality. As the traditional patterns of labor relations were eroded in the countryside, a new type of dweller emerged, the landless, temporary laborer (the "bóias frias"). Impoverished rural areas not affected by the introduction of modern, labor-saving technologies suffered from the emigration of the young, and sunk deeper into a very difficult syndrome of poverty, deprivation and backwardness.

The problems of poverty and social deprivation in Brazil have two, very distinct sides, requiring different policies and approaches: the modern, urban side, in the periphery of the large metropolitan areas and mid-size towns; and the poor population in the impoverished and gradually shrinking rural areas, mostly in the Northeast region, which has the worst indicators of income deprivation, illiteracy, infant mortality and lack of access to basic services. For the former, the problem is how to increase productivity, create more jobs, extend social services and improve income distribution. For the latter, the question is how to deal with the syndromes of poverty and social marginality of those who were left out or displaced by modernization. The table below presents the number of "indigents," defined as people below a minimum income threshold in 1990. The drawing of poverty lines and thresholds is always arbitrary, but the gross figures and proportions are a good indication of the nature and dimensions of Brazil's social problems.

<b>Number of indigents regarding income, 1990.</b>			
<b>Region</b>	<b>Number of indigents</b>	<b>% of indigents in the country</b>	<b>% of the population in the region</b>
North (urban areas only)	1952578	11.82	38.0
Northeast	9089059	55.00	22.0
Southeast	4035824	24.42	6.6
South	1622909	9.82	7.5
Metropolitan Areas	3414801	20.66	8.0
Urban, non metropolitan	6102073	36.92	7.5
Rural	7009248	42.41	22.5
Total	16526122	100%	11.9
Source: Brasil, Presidência da República, <i>Uma Estratégia de Desenvolvimento Social</i> . Brasília, 1996. Data from IBGE's National Household Survey (Pesquisa Nacional por Amostra de Domicílios, PNAD), 1990.			

The social policy agenda facing Brazil can be summarized in the following points:

- a) To assure resources for the maintenance and expansion of the existing systems of social protection and benefits, mostly in public health, retirement benefits, education and housing;
- b) To correct existing distortions, delivering more benefits to the poor and removing privileges of specific groups;
- c) To improve the efficiency and efficacy of the civil service in the administration of its resources and in its dealings with the public;
- d) To reduce income inequality;
- e) To increase the number and quality of jobs and opportunities for self-employment;
- f) To provide emergency relief to groups in extreme poverty;
- g) To develop programs to enable those in poverty pockets in the countryside and in the urban peripheries to move away from their syndromes of poverty and social marginality;
- h) To deal with acute problems of social conflict and unrest;
- i) To attend to the special needs and demands of minorities and less privileged groups, including the native population and blacks.

This agenda is not the sole responsibility of the Federal administration, but depends on the active involvement of state and local governments, non-governmental organizations and the private sector. The federal government works under two major predicaments. The first is economic: it has to bring the budget under control, and cannot increase public expenditures without jeopardizing the economy. Most of the resources administered by the government are already committed to the payment of salaries, constitutional transfers to states and local governments, legal benefits and payments of interests of the internal debt. The second is political: the executive needs congressional approval for whatever changes it wants to introduce in the entitlements of social benefits or in the distribution of burdens, resources and attributions among the different spheres of government. In the Brazilian Congress, like in the US, each congressman is an independent agent, and does not vote necessarily along party lines. The government has mustered Congressional support and passed legislation on a few crucial issues, but only after

extensive and sometimes damaging bargaining and horse trading. A further predicament is that the government is under constant pressure from public opinion, in the country and abroad, to deal with social problems of great visibility which capture the attention of non-governmental organizations and the press, but are not necessarily the most important or of highest priority.

Another problem is that Brasilia, like Washington, is not the best place from which to run complex administrations supposed to reach poor communities thousands of miles away. The need for decentralization is clearly perceived and it is taking place, but the Brazilian regions and states differ widely on their ability to get resources and use them to the benefit of the local population. The poorer is the region, the more likely are its elites to live from hand outs from the central government, keeping the poor in deprivation. Centralized policies are needed to compensate for regional inequality and to establish standards for services and care, but can be also an excuse to keep old bureaucracies in place, and for patronage.

### **The Cardoso Heritage: a distorted and expensive system of social benefits.**

The system of social benefits found by the Cardoso administration was large in proportion to Brazil's national product and public expenditures, but extremely distorted. Brazil spent, in 1994, about 14% of its GNP in social benefits (approximately 51.5 billion reais, or dollars), 65% of which going to social security (two thirds for the general population, one third to military and civilian retirees), 18.4% to education, 16.5% to health, 9.3% to education and culture, and 7.1% to housing<sup>1</sup>. This system had developed to attend the demands of the better organized urban dwellers, and only a small part reached the bottom of the social pyramid. Estimations by the World Bank found that 21% of Brazil's public expenditures on health, education and housing went to sectors in the upper quintile of income distribution, with only 15.5% going to the lower strata (the corresponding figures for Chile were 4% and 36.3%). Basic and secondary education depend on state and municipal governments, which differ enormously in their tax revenues, and it is not clear whether the resources that are legally apportioned by the Constitution to education are actually used for that purpose. The Federal government spends 60% of its resources for education with a network of public universities that provide free education to a minority of well-qualified students. In health, most of the public resources go to the payment of services provided by private providers. Since medical resources and personnel are concentrated in the richest regions, the population in these areas is more likely to receive subsidized assistance than those

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<sup>1</sup>Ipea, Diretoria de Politica Social, Dimensionamento e Acompanhamento do Gasto Social Federal - Exercício de 1994, versão preliminar, dez 1995.

in poorer regions. Employees of the public sector and state-owned companies often enjoy the benefits of private medical plans which are not available to the general population. In the past, the income requirements for housing loans were unaccessible to the lower income groups, and, with inflation, most of these loans turned into outright subsidies to the middle classes.

The Cardoso Administration found that most of these systems of social benefits were bankrupt, inefficiently run and permeated by political patronage and sheer corruption. Bankruptcy was not just a consequence graft, but mostly a function of the mismatch between the entitlements granted by law and the available resources. This was most obvious in social security and health, but was true also in education and other areas. Inefficiency and corruption were consequences of the disorganization and stiffening of the civil service and of a long tradition of politicians to use resources from social programs for patronage and personal enrichment. Runaway inflation had obscured these problems in recent years, but, once the economy stabilized, the federal government clearly had to balance its budget and press the state administrations - most of them bankrupt - to do the same.

### **The Social Impact of the Plano Real**

Economic stabilization was more effective in spreading social benefits and improving the living conditions of the poor than any other conceivable social policy. Estimations are that inflation control brought increases of about 30% in real income for those at the lower strata, leading to significant increases in the consumption of staple products and household durable goods. Inflation remained at the level of about 1% a month since the introduction of the real, and the traditional mechanisms of salary indexation were abolished. Most price increases, however, occurred in the services sector, and were more damaging to the middle sectors dependent on fixed salaries than to the lower groups. Liberal professionals and other providers of services benefitted. This effect of the stabilization plan is one explanation for the high level of popularity the Cardoso administration still enjoys.

Less clear are the social effects of the opening of the economy to international competition. This process did not start with the Cardoso administration, but was kept as an important part of its agenda. As the economy reorganizes and gears up for international competition, formal employment and job stability shrinks, while the opportunities for self employment and work in an expanding services sector increase, in a new environment where educational and professional skills make all the difference in terms of opportunities and expected income. Data on unemployment, collected by IBGE, gives a consistent pattern of about 5% of the active

population in a condition of open unemployment (without work and actively looking for it), compared with figures close to 20% in Argentina. A closer look at the employment data shows an increasing number of self-employed, people in the so-called "informal economy" and a decreasing number of industrial workers. Part of the layoffs can be explained by the increased efficiency of firms, part to downsizing and outsourcing, and part to the dislocation of industrial firms from the periphery of São Paulo, Porto Alegre and Recife to other towns and regions (and more specially to the São Paulo hinterland) which are not covered by the employment statistics. Those who remain in stable jobs are getting better payment, and self employment and family enterprises of all kinds are often more profitable than fixed salaries. So, an important part of what seems like a historical decrease in working opportunities reflects in fact an important process of economic restructuration and geographical displacements. Nevertheless, the number of people unable to find jobs or otherwise earn a living seem to be on the rise, particularly on the large metropolitan areas, among the less educated young and for those displaced by the industrial modernization.

### **Policy initiatives**

The social benefits of the stabilization program gave the Cardoso administration some respite, but did not avoid the need for explicit policies in the social realm. Some general principles were laid out from the beginning. The most obvious sources of patronage and corruption had to be eliminated. Thus, the old Ministry of Social Welfare and associated institutions<sup>2</sup> were closed down, and replaced by a small secretary within the Ministry of Social Security, which could continue to provide resources to the truly needed without bureaucracy and political intermediation. Public administration had to increase its efficiency<sup>3</sup>. Decentralization, imposed by the new Constitution for tax revenues, had to be implemented also for services delivery. Society should be mobilized to make the administration more responsive and to bring additional resources to the poor. Groups in extreme need should receive immediate attention, without waiting for the benefits of long term reforms. The four main Ministries dealing with social issues - Education, Social Security ("Previdência"), Health and Labor - were not given to the political parties in the government coalition, but placed in the hands of well known and respected specialists<sup>4</sup>. Their tasks were daunting. They had to stop the hemorrhage of money that seldom

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<sup>2</sup>The Legião Brasileira de Assistência and the Centro Brasileiro para a Infância e Adolescência.

<sup>3</sup>The Ministry of Planning absorbed also a former "Ministry of Regional Development", responsible for urban development and related matters.

<sup>4</sup>Reinhold Stephanies, from "Previdência", is an active leader of the PFL party, but also known as one of Brazil's most respect specialists in the field of social security. Both Paulo Renato de Souza, in

reached the more needed, find new sources of money to keep their institutions going, respond to new demands, reorganize them to work more efficiently and target the appropriate groups. The Ministry of Labor, which in the past used to function as a broker between the trade unions and the government, took the responsibility of looking for new legislation to reduce the costs of labor, increasing the chances for employment.

All these policies faced the predicaments of limited resources and the resistance from the beneficiaries of the existing situation, politicians of the old style and organized groups which did not want to relinquish acquired privileges. The government had to reduce expenditures while making the instruments of social policy more effective and better targeted. Convincing the affected sectors that all the proposed changes are more than sheer cost-cutting policies in disguise is not easy. Lack of clarity of purpose was also a problem. For instance, the government seems to know what it is to be done with retirement benefits and basic education, but is less clear about health care, secondary education and urban poverty. This lack of vision impairs not only its ability to act, but also the possibility of reaching out to society to get support to the proposed policies.

The balance of these first two years can be summarized in one phrase: the Cardoso government achieved more in the social sector than what is usually attributed to it, but much less than what is needed to pay Brazil's "social debt," and probably less also than what it could be done if the proper policies were already well defined and identified, and did not have to find its place among an overpowering political and economic agenda. A very brief checklist of policy initiatives in the social sector is presented below.

## **Social Security**

"Previdência Social," the national system of pensions and retirement benefits, takes up 65% of the expenditures of the federal government in the social area. Two thirds of this total is for the employees in the private sector, and is financed by a fixed percentage of all salaries, paid jointly by employers and employees (about 16 million beneficiaries); one third comes from the ordinary budget, and is used to pay the retirements and pensions in the public sector (about half a

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Education, and Adib Jatene, the former Minister of Health, came from the academic sector in São Paulo, with a strong experience of institutional leadership. Paulo Paiva, the Minister of Labor, has also an academic career.



million)<sup>5</sup>. The current administration has made important advances reducing corruption, and increased the speed and efficiency in the processing of papers and payments. However, the system is full of inequities, and impossible to maintain the way it is now, as a pay-as-you-go operation. Special privileges of civil servants and a few other groups have to be reduced to make the system viable and fair. It is necessary to abolish early retirements, to put a low ceiling in the pensions paid by the public sector and to develop a private system of pension funds for those with higher income. The government has clear ideas about what should be done, but the Chamber of Representatives has only approved a watered-down version of the reforms proposed by the Executive. The expectation is that the Senate can reestablish the original proposal this year.

## **Health**

The effort in the health sector has been to transfer the administration of health services to the local communities (the so called "Sistema Unificado de Saúde," SUS), but the federal government is still responsible for two thirds of all public expenditures in this sector. So, the most pressing goal was to secure resources to keep the system going. There were significant achievements in preventive medicine, through intensive work on grass-roots programs based on community health agents and family doctors. There is no solution in sight, however, for the runaway costs of the medical and hospital bills paid by the federal government to private health providers, nor for the recuperation and proper maintenance of public hospitals. It is not clear that the SUS structure will work, or whether it will work only in some places and regions. The expectation that the government could provide free health service to whoever asks for it is completely unrealistic. In practice, the system of public health is used only for those who do not have private insurance nor can afford to pay for his treatments. In the recent past, the system of payments for health services was corrupted by the combination of inflationary costs, extremely low fees and delayed reimbursements, inducing the institutions that depended on the system to inflate or fake the number and complexity of the services provided. Administrative mechanisms were put in place to curb these practices, and a new and highly controversial tax on financial transactions was approved by Congress as a temporary stopgap to cover the costs of the health system. The government has still to spell out a clear policy that could lead to a more equitable and viable system of public health care on the long run.

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<sup>5</sup>Civil servants pay 12% of their salaries social security costs, but, differently from what happens with the INSS system, these resources are not linked with the on-going expenditures, which are much higher.

## **Education**

Basic education is recognized as one of the most successful areas of social policy in the Cardoso administration. Although basic and secondary education are responsibilities of local and state governments, the federal government has an important instrument for action, the resources of the Fundo Nacional de Educação, a tax levied on firms for educational purposes. Two thirds of these resources remain with the states, but the Federal government has about 700 million dollars a year to spend. In the past, most of this money was channeled to states and municipalities through local politicians, and its destination was uncertain at best. Now, the Ministry of Education has developed a system of transferring these resources directly to the schools, creating an important boost in their autonomy and ability to act. Recent legislation was introduced to force local and state governments to guarantee a minimum expenditure of US 300.00 per student per year, which should result in a similar salary floor for school teachers. This would be an important improvement, but it will take several years before the effects of this legislation are felt, because of last minute concessions to pass the legislation. The Ministry has been very active in the development of national education standards, in the implementation of a national system for evaluation of educational achievement, and in many other areas. The success of these policies is partially explained by a growing consensus on the importance of basic education and on the main policy orientations for the sector, and by the existence of significant state and municipal level initiatives for the improvement of basic education.

On the other hand, the Cardoso administration has been so far unable to implement a clear policy for higher education. The federal system of higher education, costing about 6.5 billion dollars a year and providing free education to less than 400 thousand students, a third of Brazil's total enrollment, is clearly in need of reform. The government has formulated a proposal to grant administrative autonomy and bring the universities under mechanisms of systematic evaluation that could eventually correct distortions on resource allocation and increase the coverage and relevance of the teaching programs. Nevertheless, this project has been resisted by many sectors in the universities, and has still to be appreciated by Congress. In the meantime, the private sector is kept under bureaucratic controls, and not allowed to expand. Several initiatives related to technical and secondary education exist, but none with the promise of significant impacts in the short run.

## **Unemployment**

Open unemployment in Brazil's urban centers is low, but underemployment is high. The outlook for the next 10 to 20 years is of a growing number of youngsters entering the job market combined with the drive in the productive sector to increase efficiency by incorporating new technologies and downsizing. This perspective is cause of concern, and the government is trying to respond with a series of actions. The most important, but without short-term effects, is to increase the quality of basic and secondary education. Secondly, the Ministry of Labor is devising new legislation to reduce the cost of labor and deregulate the labor market. Today, a firm has to spend approximately the same amount it pays for salaries in social benefits and taxes. A reduction of these costs is resisted, because it would affect benefits which are taken for granted by the employees, and have a negative impact on the resources available for social security. The Ministry wants to end with the trade union tax ("imposto sindical") which supports a large union bureaucracy, and reduce the role of labor courts in the settlements of labor disputes. The basic idea is to have a menu of choices for labor contracts, including indeterminate, fixed and short-term contracts, and different packages of social benefits and severance compensation, to be negotiated one by one between independent unions and the employees. Such system would allow for better job contracts in the richest sectors the economy, and more employment with fewer benefits in sectors that are not employing today, or are hiring illegally, without paying benefits or taxes. These proposals are going through a very difficult process of negotiation with the trade unions and the Congress, and, although sound in principle, their actual effects are difficult to evaluate.

A second approach is to try to increase employment through public works and direct incentives and credit to the private sector. Although the government would not embark in a late-Keynesian policy of state-supported full employment, there are several mechanisms to stimulate job creation, through credit provided to small firms, investment in needed public work, and training programs targeted to specific sectors of the job market. For 1996, the National Development Bank (BNDES) was supposed to have invested about 11.3 billion dollars, and will be combining its resources from those of the Fundo de Amparo ao Trabalhador (FAT) for job-creating investments in public transportation, environment protection, tourism and communications, which will not only generate new employment opportunities, but increase the efficiency and employment capabilities of the productive system as a whole. The Ministry of Labor is also engaged in an ambitious program to provide credit for small firms, to generate more employment and income. More than two billion dollars were invested in this program between 1995 and 1996.

Finally, the Cardoso administration is amplifying Brazil's system of unemployment insurance. Although still very limited in how much and for how long it pays the unemployed, it helped about 4.5 million people who lost their jobs in 1995, an estimated 60% of the total (the remaining 40% did not apply, probably because they could find another job without much delay).

## **Poverty**

All these policies, successful or not, are aimed at integrating the population in the modern economy, creating more jobs and providing workers with a better, more equitable and realistic system of social protection. An important issue in this regard relates to the improvement of the conditions of the urban habitat, and more specially in the management of the large metropolitan areas. In the past, federal resources were provided for ambitious programs to develop and extend sewage and water supply systems to the cities, but these programs have been greatly reduced for the lack of funds. The main source for financing housing construction comes from a special, mandatory retirement fund (Fundo de Garantia de Tempo de Serviço) which maintained for a while a large system of housing credit (Sistema Nacional de Habitação), but was later eroded by high inflation and inadequate repayments. The federal banks, including the National Development Bank, are opening again to provide resources and loans for housing and urban development. But the expectation now is that most of the expenditures on urban development will be done by the local governments themselves, with a growing presence of private capital, management and entrepreneurship.

Poverty, however, affects millions of people who are in the backward areas in the countryside, at the periphery of the urban centers, at the margins of the educational system, and are not likely to come soon to the fold of modern economy. It affects also, disproportionately, some specific minority groups, particularly blacks, special groups of children and women, special regions, above all the rural Northeast, and some occupational groups, such as the displaced peasants in the countryside.

It is naive to believe that the conditions of these groups could be reversed simply by the adoption of a proper attitude, or by the sheer exercise of the government's "political will." There is just not enough money to grant the direct and indirect benefits and services which would be required. Besides, Brazil has a long experience of providing resources to the poor which never reaches the needed, and even when it does, it does not equip the receiver with the instruments and conditions to enter and remain in the labor market. The Cardoso administration has tried to overcome this historical pattern of dependency and wastefulness through associations with

organized, grass roots movements in cities and in the countryside, and cooperation with voluntary and non governmental organizations. The "Programa Comunidade Solidária," headed by First Lady Ruth Cardoso, was conceived with this goal, and also to mobilize public and private efforts to gather resources to assist those in extreme conditions of poverty, or in need of immediate attention and support. A similar approach is being adopted to respond to the grievances of specific sectors, such as women, children and those related to racial discrimination. It is fair to say that this attempt to mobilize society has been less effective than expected, and overall has not produced significant results.

The situation in the countryside has been dramatized recently by a series of violent confrontations and the militant behavior of the "Movimento dos sem Terra," a well-organized group that mobilizes landless peasants and urban poor to occupy rural properties deemed unproductive. The government has been responding by taking hold of little used or contested rural properties, and transferring them to the peasants. But the cost of settling the mobilized peasants is high, and there is no assurance that they really remain and can prosper once they get their land plots. As the government grants more land, the movement steps up its demands, and the number of "landless peasants" keeps growing. Recent legislation proposed by the government and approved by Congress will tax unproductive land so heavily that the traditional, unproductive "latifúndio" is bound to disappear in a few years. However, it should not affect the economically most significant and valuable land, used for large-scale plantations and cattle raising. The "Movimento dos sem Terra" played a useful role in raising the issue of land reform and creating the climate to allow the new legislation to pass, but the problems of rural poverty will clearly not be solved by attending directly to each of their demands.

## **Perspectives for the next two years. What are the alternatives?**

As the Cardoso administration consolidates and gets new breath from the possibility of a second mandate, its performance in the social sphere is likely to improve. With a stable and growing economy, problems of urban unemployment will be less severe, and there will be more resources to help the unemployed and create new jobs. If the government is able, as it is expected, to pass legislation to change the rules of the civil service, the quality of services is likely to improve, and the resources will be used more rationally. Beyond that, the government will need the mobilization and support of society to gather additional resources to provide better living conditions and more opportunities to the poor, and to dislodge the vested interests that are responsible for the enormous distortions in the allocation of resources in the social realm. It must come to a consensus about the proper policies to implement in critical areas such as health, or in attention to special and underprivileged groups such as the black population and the urban poor. It will have to work in close association with state and local governments, which must assume growing responsibilities in the administration and financing of social policies.

Even in the best scenario, the problems of poverty and social inequality in Brazil are very deep, and will not find easy solutions. This is not a reason for not working on them, but it is an important perspective from which the government's performance should be evaluated. One should conclude this overview by asking whether the Cardoso administration has not locked itself in a limited strategy, without considering other policy options that could have more direct and dramatic impact on Brazil's "social debt."

One proposed alternative is to try to make the economy to move more swiftly, even at the expense of inflation and a growing public deficit. This is the more or less explicit view of many sectors of the opposition "left" of the Cardoso administration. It is a plea to protect the national industry from external competition, step up public investments, raise the minimum wage, maintain and expand the existing systems of job protection, and increase public expenditures in social benefits and services. This, of course, is the policy of the past, which led to the current predicaments. The dominant consensus, both within and outside the administration, is that it would be disastrous to come back to these old practices, which do not get much support in public opinion and among voters.

Another alternative would be to speed up the economy within the current economic framework. This would be, of course, the best of the worlds, but the perspectives of accelerated economic growth do not seem very high for the next several years; there are still serious problems of

balance of payments and public deficit which will require policies of economic containment. The expectation is that, once the administrative and tax reforms are in place, and the privatization program advances, public deficit will be reduced and the economy will recover its ability to grow, but the time horizon for these reforms is still not clear.

A third alternative would be to mount a more direct attack on problems of income distribution and social inequality, without waiting for the economy to grow. Several ingenious schemes have been suggested in this direction, from a policy of assured minimum income to the poor to dramatic changes in the tax system. The most obvious flaw of most these schemes is that they would increase either the public deficit, or the tax burden on the economy, or both. Less obvious is the fact that benefits alone, even when available, are not enough to correct for ingrained problems of poverty and social exclusion.

The remaining alternative is to tackle the social issues gradually, without massive public expenditures or disruptive income transfers. There is plenty of room for improvements. The federal, state and local administrations can improve their ability to deliver services and reduce waste; society can be mobilized to control and supervise the way public money is being spent, and to bring additional resources and voluntary work in support of the needed; inequities in resource allocations can be redressed by appropriate legislation.

All this is already taking place in different places and with different emphasis, but not enough to dispel the image that the government does not have a coherent and convincing social policy. The alternatives and instruments for dealing with poverty and social inequality in a context of relative scarcity of public resources have not been properly studied and understood, either by the government or by society. Most of what is written and published in Brazil on questions of poverty is social exclusion is still limited to pointing out the problems and stating that they should not exist, without deeper analysis of causes and alternatives. If this is the situation among specialized circles, it is still more so within the public bureaucracy, notwithstanding the President's personal background and competence in the social sciences. Saying it may be obvious, but it is still not realized in Brazil that an essential element in any policy is to know what has to be done. As noted before, there is some consensus in the country about what to do with basic education, and this helps to explain why, instead of raising school buildings or engaging in fruitless adult literacy campaigns, the government is putting its weight in granting autonomy to schools and creating national standards of achievement. No similar consensus exists on what to do, however, with public health, urban poverty or social discrimination against blacks, and this helps to understand why very little is changing on these realms.

The Cardoso government could probably do more to raise the quality of analysis and proposals to deal with the country's social issues, and make the public administration more permeable to them. More clarity opens a virtuous circle of more articulated visions, better communication with the public, more public support, and greater ability to get political support to implement the policies. In a Presidential system, the obstacles to pass legislation through Congress are real enough, but can be reduced if the Executive sets clear goals and gets support in public opinion for its policies. One of the chief reasons why the Plano Real was a success, at least in part, because it was conceived and administered by a brilliant group of economists who did their homework, knew what they were doing, and were able to communicate it to politicians and to the public. A similar vision is still needed in the social realm.